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# INFORMATION REPORT

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COUNTRY Czechoslovakia

DATE DISTR. 1 JUNE 1949

**SUBJECT** Czechoslovak Trade Difficulties

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1. The port of Trieste is of major importance to Czechoslovakia as a trade outlet to the Middle and Far East. Fiume and Sušak are quite incapable of handling all the Czech imports and exports. Czechoslovakia is faced, however, with the grave problem of procuring foreign exchange to pay freight and handling charges at the Italian port; the Lloyd Triestino line accepts payment only in dollars or pounds sterling.
2. The Czechs have volunteered to pay the freight costs in goods, offering telephone poles and metallurgical coke. Furnace bricks (not available for one year, however) and steel girders (available in 1952) have also been proffered, but the Italians remain adamant. The Italian Minister in Prague stated that his country was not prepared to meet the difficulties of the Czech National Bank in this way and that no barter arrangements would be considered except within the general scope of a new trade agreement. Italy is claiming a 2 billion lire indemnity for nationalized Italian properties in Czechoslovakia and is not disposed to do favors for that country.
3. Dr. Dvořák, head of the research department of the Prague National Bank, was recently refused an Italian visa to visit Trieste and Rome to discuss the freight issue. On the other hand, three leading figures of the nationalized Czech transport organization will be allowed to enter Trieste to discuss this same problem. They are General Manager Schlesinger; his deputy, Gregor; and Jiranek, political indoctrination officer of that organization.
4. All goods dispatched within the terms of the trade agreement between Czechoslovakia and Pakistan for the year ending 30 October 1949 must pass through the port of Trieste. The Polish ports would represent too lengthy a detour and are being used only for trade with Western Europe and North and South America. Eighty thousand bales of Pakistan cotton are to be delivered by way of Trieste; 20,000 of these are actually on the high seas. It is uncertain however, whether more than 50,000 bales will actually be delivered, since Czechoslovakia has not been fulfilling all of the terms of the bargain. The Czechs had agreed to deliver two sugar refineries, a small brewery, and 1,200 Škoda automobiles in return for large shipments of cotton and jute.

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CENTRAL INTELLIGENCE AGENCY

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5. A triangular transaction to provide Czechoslovakia with ball bearings is currently being negotiated. The Steyr works in Austria are to supply the Czechs with ball bearings and will receive electrical equipment for automobiles or tractors from the Italian Magneti Morelli factory. It is not known what Czechoslovakia will give Magneti Morelli in return, but it is rumored that dynamo plates may be provided.
6. Czechoslovak agencies are attempting in vain to purchase all types of colored metals for the Soviet Union.\* Whenever an order is about to be placed abroad, it is discovered that the stocks in question have been purchased by another country. The Czechs believe that the United States is responsible for these blocking tactics.

25X1A \* ~~SECRET~~ Comment. Source believes that the colored metals are being purchased for the USSR, and not for domestic use, because the Czech foreign exchange difficulties described above would prevent Prague from indulging in such luxuries on its own behalf.

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